




## THE CITY OF SAN DIEGO

DATE: December 4, 2008

TO: Honorable Members of the Audit Committee

FROM: Eduardo Luna, City Auditor 

SUBJECT: **Monthly City Auditor Activity Report – November 2008**

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This report provides information on the activities and accomplishments of the Office of the City Auditor for the month of November 2008. It includes the audit reports issued and other accomplishments produced during this period, the status of current audit projects and activities, and a summary of planned audits that we have not yet started.

### **Audit Reports and Accomplishments:**

- October 22, 2008 – The City Auditor gave a presentation at the SEDC Board of Director's Meeting regarding the SEDC performance audit. (This item was inadvertently omitted from our October update.)
- November 5, 2008 – The City Auditor gave the CCDC Board of Directors a presentation regarding the upcoming CCDC Performance audit.
- November 13, 2008 – The City Auditor gave a presentation to the new Councilmembers regarding the Office of the City Auditor's responsibilities and protocols.
- November 18, 2008 – The City Auditor attended the U.S. Comptroller General's Domestic Working Group Meeting in Washington, D.C.
- November 20, 2008 – Issued our Audit of the San Diego Public Library Fee Collection Process. We found there are Library system issues and cash handling procedures that need to be addressed by Library management. We made nine recommendations for corrective actions to be taken. The report can be found on our website at:  
<http://www.sandiego.gov/auditor/pdf/libraryfeeaudit.pdf>

**Current Audits and Activities:**

<b>Audit Activity</b>	<b>Status</b>	<b>Target Completion Date</b>
<b>Annual Central Stores Inventory Audit FY08</b>	The San Diego Municipal Code Section §22.0501 requires an annual audit of inventory in the City storerooms and warehouses. The objectives of this audit are to confirm the valuation of Central Stores inventory and to evaluate the storerooms' internal controls to safeguard inventory. We have used approximately 249 audit hours, and we estimate an additional 40 hours will be needed.	December 19, 2008
<b>Proposition 64 Funds Audit</b>	The objective of this requested audit is to determine if Proposition 64 funds are being properly budgeted and used solely for the enforcement of consumer protection laws. We have used approximately 278 audit hours, and we estimate an additional 40 hours will be needed.	December 19, 2008
<b>Purchasing and Contracting – Requisition, Purchase Order and Contract Management</b>	The objective of this audit is to determine if Purchasing and Contracting has sound procurement procedures in place and to evaluate the efficiency and effectiveness of the department's procedures. We are including an audit of the contracts associated with the debris removal program to clear homes destroyed in the wildfires within the scope of this audit, and we plan to issue the report by December 10, 2008. Our target date to finish the audit of Citywide purchasing and contracting procedures is January 25, 2009. We have used approximately 1,430 audit hours to date and we estimate an additional 280 audit hours will be needed.	January 25, 2009

**Current Audits and Activities (Continued):**

<b>Audit Activity</b>	<b>Status</b>	<b>Target Completion Date</b>
<b>Close-out Audits</b>	Close-out audits are required by City Charter, Article VII, Section 111 when a City Official leaves office. The primary audit objectives are to verify that there are no outstanding debts owed by the City Official to the City, and to ensure that access to critical information and processes has been revoked. We are in the planning stage for the close-out audits for the four City Councilmembers and the City Attorney leaving office. We have used approximately 2 audit hours, and we estimate an additional 118 hours will be needed.	January 25, 2009
<b>Real Estate Assets-Qualcomm Stadium Administration Audit</b>	The objective of this audit is to determine if the revenue generated by Qualcomm Stadium is being properly collected and accurately reported by the City. We have used approximately 203 audit hours, and we estimate an additional 237 hours will be needed.	February 27, 2009
<b>San Diego Housing Commission Audit</b>	The objective of this audit is to determine if the San Diego Housing Commission has sound procurement and executive compensation practices. We will also review their development and asset management program. We have used approximately 288 audit hours, and we estimate an additional 512 hours will be needed.	March 13, 2009

**Current Audits and Activities (Continued):**

<b>Audit Activity</b>	<b>Status</b>	<b>Target Completion Date</b>
<b>Audit of Internal Control Remediations</b>	The objective of this audit is to test and verify management's remediation efforts to correct weaknesses identified in the Kroll Report, external auditors' reports and the Internal Auditor's reports. We have used approximately 1,728 audit hours, and we estimate an additional 712 hours will be needed to test the remaining 44 items.	April 30, 2009
<b>Centre City Economic Development Corporation (CCDC) Audit</b>	Prepared the audit scope for the Request for Proposal (RFP) to hire an audit firm to conduct a performance audit of CCDC. The audit contract was approved by City Council on December 2, 2008. It will take approximately 6 months to complete the audit once the contract is executed.	June 15, 2009
<b>San Diego Convention Center Corporation Audit</b>	Prepared the audit scope for the RFP to hire an audit firm to perform an ethics and accountability review of the San Diego Convention Center Corporation. The RFP was issued on October 29, 2008 and responses were due December 2, 2008. A Technical Evaluation Committee is beginning to review the proposals received.	TBD

**Current Audits and Activities (Continued):**

<b>Audit Activity</b>	<b>Status</b>	<b>Target Completion Date</b>
<b>Enterprise Resource Planning (ERP) System Implementation Review</b>	The objectives of this audit are to: (a) determine if the City's key financial activities are being adequately reviewed and documented prior to the new system implementation to ensure key financial processes are properly addressed by the new system and (b) determine if the system was adequately tested prior to implementation. Approximately 600 audit hours have been used for this review, and we estimate an additional 1,330 hours will be needed.	TBD
<b>Disclosure Practices Working Group (DPWG)</b>	City Auditor staff participates in DPWG meetings as an ex officio member. Approximately 14 hours were spent participating in various DPWG meetings during the month.	On-going
<b>Fraud, Waste and Abuse Hotline</b>	We review and administer the City's Hotline calls that are received. We prepare hotline reports for the calls that are personnel related and they are reviewed at biweekly hotline intake committee meetings by Labor Relations, Personnel and the Office of Ethics and Integrity. Investigations are performed by the Office of the City Auditor for accusations of material fraudulent activity or questionable financial reporting. During the month of November 2008, there were approximately 16 new hotline calls received. We have spent approximately 440 hours investigating calls this fiscal year.	On-going

**Current Audits and Activities (Continued):**

<b>Audit Activity</b>	<b>Status</b>	<b>Target Completion Date</b>
<b>Follow-up on Previously Issued Audit Reports</b>	<p>We are in the planning stage for the follow-up audit on the recommendations made to the San Diego Data Processing Corporation in an audit report issued in 2004.</p> <p>We previously reviewed all audit reports that did not have a response from management on file indicating that the audit recommendations were implemented. We had received all audit report responses needed with the exception of two reports that were issued to SDCERS. During November 2008, we received two responses from SDCERS. We received a complete response for the “Audit of Account of George Loveland,” and a partial response to the “Audit of Corbett Payment 2004 and Related Allowances.”</p>	On-going

**Planned Audits Not Yet Started:**

<b>Planned Audit</b>	<b>Description</b>	<b>Estimated Audit Hours</b>
<b>City Treasurer - Investment Activities Audit</b>	The objective of this audit is to determine if investments are being properly handled, accounted for and accurately reported in the City's financial statements.	600
<b>City Treasurer - Delinquent Account Collections Audit</b>	The objective of this audit is to determine if overdue accounts due to the City are being properly noticed, collected, accounted for, and accurately reported in the City's financial statements.	800
<b>Park and Recreation - Recreation Facilities Operations Audit</b>	The objective of this audit is to determine if Park and Recreation's recreation facilities are properly collecting and accounting for fees.	480
<b>Risk Management - Public Liability and Loss Recovery Audit</b>	The objective of this audit is to determine if public liability and loss recovery is being properly handled, accounted for and accurately reported in the City's financial statements.	800
<b>City Treasurer - Parking Meter Operations Audit</b>	The objective of this audit is to determine if the collections for parking meters is being properly accounted for and efficiently and effectively handled.	600
<b>General Services - Streets Division Roadways Audit</b>	The objective of this audit is to determine if the City streets are being efficiently and effectively maintained by the City.	800

**Planned Audits Not Yet Started (Continued):**

<b>Planned Audit</b>	<b>Description</b>	<b>Estimated Audit Hours</b>
<b>Purchasing and Contracting - Equal Opportunity Contracting and Labor Compliance Audit</b>	The objective of this audit is to determine the efficiency and effectiveness of the City's equal opportunity contracting and labor compliance.	400
<b>Annual Central Stores Inventory Audit FY09</b>	The San Diego Municipal Code Section §22.0501 requires an annual audit of inventory in the City storerooms and warehouses. The objective of this audit is to confirm the valuation of Central Stores inventory and to evaluate the storerooms' internal controls to safeguard inventory.	80 (FY09) 160 (FY10)

cc: Honorable Mayor Jerry Sanders  
Honorable City Council Members  
Jay M. Goldstone, Chief Operating Officer  
Mary Lewis, Chief Financial Officer  
Michael Aguirre, City Attorney  
Andrea Tevlin, Independent Budget Analyst  
Stanley Keller, Independent Oversight Monitor